



## University of Wisconsin System Fiscal Year 2014-15

### Background

The University of Wisconsin (UW) System provides postsecondary academic education for approximately 181,000 students and consists of 13 four-year universities, 13 two-year colleges, UW-Extension, and UW System Administration, which consists of the UW System President's staff. UW System is governed by an 18-member Board of Regents.

To fulfill our statutory requirement, we conducted a financial audit of UW System by auditing its financial statements in accordance with applicable government auditing standards, issuing our auditor's opinion, reviewing internal controls, and reviewing certain financial management topics.

### Audit Results and Key Findings

Our unmodified opinion on UW System's financial statements for fiscal year (FY) 2014-15 and FY 2013-14 is included in its [2015 Annual Financial Report](#). We provide an unmodified audit opinion when audit evidence supports the conclusion that the financial statements provide a fair view of an entity's financial activity in accordance with generally accepted accounting principles (GAAP).

We identified weaknesses in information technology (IT) security policies, procedures, and controls for several UW institutions. We considered these weaknesses to be a significant deficiency in internal control in our [Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters](#).

We also found:

- As of June 30, 2015, UW System's [net position](#), which provides a measure of its overall financial condition, was \$6.7 billion on a GAAP basis.
- For FY 2015-16, UW System has apportioned a \$150.0 million [base budget reduction](#) in general purpose revenue (GPR) and a \$25.0 million GPR offset to UW institutions. Both the base budget reduction and the offset were included in 2015 Wisconsin Act 25, the 2015-17 Biennial Budget Act.
- On a budgetary basis, UW System's [unrestricted program revenue balances](#) decreased from \$973.3 million as of June 30, 2014, to \$923.9 million as of June 30, 2015, or by \$49.4 million.
- Certain UW institution policies categorizing unrestricted program revenue as [reserves](#) did not comply with Board of Regents policy.
- The UW System Administration's Office of Trust Funds did not conduct an annual [due diligence meeting](#) as required for two of six external investment managers in 2015, and did not review certain [external investment management fees](#) to ensure the correct amounts were charged.

### Audit Recommendations

We recommend UW System Administration [review UW institution reserves policies, improve oversight and administration of investments](#), and report to the Joint Legislative Audit Committee by July 29, 2016, on the status of its efforts to implement these recommendations. We further recommend UW System Administration assist UW institutions in implementing [changes to IT controls and develop a UW System-wide IT security program](#).